

WEATHER FORECAST: S.W. WINDS, MODERATE TO FRESH; CLOUDY, MISTY, OCCASIONAL RAIN.

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## NATIONAL DOLLAR TOUCHES FIVEPENCE: YEN FOLLOWS SUIT ON SHANGHAI MART

### Temporary Withdrawal Of Stabilization Fund Is Cause Of Sudden Fall

When the Shanghai branch of the Hongkong and Shanghai Banking Corporation opened its doors yesterday morning, would-be buyers of sterling were told that purchases of Chinese national currency were temporarily suspended. This signalled the withdrawal from the market, for the second time since its creation, of the Anglo-Chinese Exchange Equalization Fund, which has the function of maintaining the value of the Chinese dollar.

As a result, says Reuter, the value of the dollar on the Shanghai market slumped from 6s 9/16d to 5s 1/2d. The previous withdrawal of the fund a few weeks ago had brought the level down from 8d. to the neighbourhood of 6s 1/2d.

The Shanghai value of the Japanese Yen immediately fell to the same figure, the two currencies continuing at par.

China, with her foreign trade needs increasingly met by barter agreements and her internal price level remarkably stable, has little to fear from the fall of the external quotations in her currency. With large quantities of Chinese notes in Japanese hands, such a fall is even beneficial, since it prevents the enemy from converting his holdings into sterling at a profitable rate.

The fall of the Yen, on the other hand, indicates that this currency is incapable of standing on its own feet. It is a severe blow to Japan, which lives on imported raw materials.

#### NOT UNEXPECTED

SHANGHAI, July 18 (Reuter)—While the step was not entirely unexpected and financial circles, as a consequence, are not as demoralised as might have been expected, the general public, foreign and Chinese alike, has been caught unawares and is seriously perturbed at the prospect of a further sharp increase in the cost of living.

The markets recovered their composure after the initial shock, and within half an hour, sterling

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### London Is Confident

### BRITISH HOLDERS KEEP DOLLARS

LONDON, July 18 (Reuter)—Today's sharp fall of the Chinese dollar, which is believed to be immediately attributable to the suspension of sterling sales by the Anglo-Chinese Stabilisation Fund, has caused business in Chinese dollars on the London exchanges to come to a virtual standstill.

British holders of Chinese funds generally feel that it is most desirable to leave them in China at present and hope for eventual improvement in the rate which will prevent heavy losses on exchange.

The banks stress their unwillingness to assist in bear speculation against Chinese currency from this end, especially since such action will impose a further strain on the equalisation fund. The banks here maintain that they are justified in taking any risks on overnight fluctuations by purchasing Chinese dollars in large amounts, hence only the smallest occasional transactions are being made.

Generally speaking, both Chinese and British financiers are mystified by the latest slump, although it is generally admitted that the Chinese dollar must be allowed to find its own level.

What such a level will be is, however, a matter of speculation depending on the political and economic course of the "China Incident."

THE JURY, comprising Messrs. E. E. DOS REMEDIOS (Foreman), KAI WING-YEUNG, AND D. L. D'AQUINO, retired to deliberate for about 10 minutes, returning with a verdict of death from multiple injuries, cause unknown.

### Wang's "Government" Birth Said Postponed To Oct. 10

### PUPPETS GET SIX LAKHS TO CREATE TROUBLE IN SETTLEMENT

Chinese press reports from Shanghai state that the plans laid by Wang Ching-wei and his Japanese masters for a "central" puppet government have again hit a snag. Originally set for July 7, then postponed to August 13, the birth of this regime is now fixed for October 10.

By that time, the Japanese hope, present difficulties will be ironed out.

Included in the scheme of government-making is the calling of a puppet "National Congress."

In the meantime, Wang's agents have been provided with \$300,000 to buy over the corrupt leaders of certain Shanghai labour unions

with a view to inciting anti-British strikes and in other ways embarrassing the Settlement authorities. Other sums have been earmarked for the bribing of teachers.

Chu Min-yi, a follower of Wang Ching-wei once prominent in the Central Government, is especially active in this work.

ESTABLISHED 1857



### Without Reply

#### SOVIET RETURN JAPANESE NOTE

MOSCOW, July 18 (Reuter)—The Soviet Government has returned the Japanese Note without reply.

The Note contained a number of questions regarding Sathalain, the answers to which Japan insisted be given within 24 hours.

A Soviet official stated that Russia cannot accept the Note which contains threats.

The Japanese allege that their oil and coal fields have been constantly attacked by the Soviet.

The number of wireless licences in Britain has passed the 8,000,000 mark which is 371,000 more than the figure a year ago, says a Reuter message from London.

### Mischiefous Influence Of Craigie Talks

Interviewed by Chinese press representatives, Chinese bankers in Hongkong expressed apprehension lest the Anglo-Japanese negotiations in Tokyo contribute to the wavering of confidence in Chinese currency.

They may already have had something to do with the initial decline.

It is noteworthy in this connection that withdrawals of deposits from Chinese banks in Shanghai began some time ago, when Britain showed signs of willingness to compromise on the concession in Tientsin, on whose territory lie \$50,000,000 of China's silver reserves.

On July 13, a financial leader on Chungking issued, through Central News, a statement advising Chinese businessmen in Shanghai to refrain from transferring their deposits in the interests of the war of resistance.

The King held a levee at St. James's Palace yesterday morning, according to a Reuter message from London. His Majesty drove in state from Buckingham Palace accompanied by the Sovereign's escort of Life Guards.

### Campbell Death Remains A Mystery: Lawyer On Difficulty Confronting Jury: Verdict At Kowloon Court Inquiry

"THE CIRCUMSTANCES UNDER WHICH MR. CAMPBELL MET HIS DEATH WILL REMAIN AN INSOLUBLE MYSTERY FOR EVERYBODY IN HONGKONG TO DECIDE ON TO THE DICTATES OF THEIR OWN IMAGINATION. You, gentlemen of the Jury, must not decide this matter on imagination, but you should form your opinion on the strength of evidence you have heard in this Court."

With this address to the jury by the Coroner, Mr. E. Birnsworth, the inquiry was concluded at Kowloon Court yesterday afternoon into circumstances surrounding the death of Joseph Howard Campbell, an American, who was found by an Indian constable lying in the street outside the Trocadero Hotel in Peking Road, Kowloon, at 5.15 a.m. on Sunday, June 11, unconscious and on the point of death.

THE JURY, comprising Messrs. E. E. DOS REMEDIOS (Foreman), KAI WING-YEUNG, AND D. L. D'AQUINO, retired to deliberate for about 10 minutes, returning with a verdict of death from multiple injuries, cause unknown.

Formal evidence was heard from Dr. Tai Hon-hong in regard to the post-mortem, Mr. V. C. Branson, Government Analyst, in regard to dust embedded in the toe of the deceased's right shoe, and from Mr. R. H. J. Brooks, Assistant Station Officer of the Kowloon Fire-Brigade, in regard to measurements taken of scrap-marks on the wall of the Hotel.

(Continued on Back Page)

### THE DOLLAR

ON T.T. LONDON: 1s. 21/16d.

ON T.T. NEW YORK: 2s. 5/8.

From Our Own Correspondent

London, July 18.

London silver prices to-day were

unchanged as follows:

July 17 July 18

Spot 16-3/4 16-3/4

Forward 16-3/16 16-3/16

### 100,000 CHINESE TROOPS CROSS THE YELLOW RIVER

### Japanese Onslaught Held Up: Bitter Fighting Now In Progress

SHANGHAI, JULY 18 (REUTER)—MORE THAN 100,000 CHINESE TROOPS ARE REPORTED TO BE CROSSING THE YELLOW RIVER INTO SOUTHEASTERN SHANSI in an attempt to prevent the encirclement of the Chinese troops in Tatung mountains by the Japanese forces. Bitter fighting is now in progress.

It is reported that the Chinese are successfully holding up the Japanese onslaught and it is claimed that 3,000 Japanese were killed in the past week.

In the meanwhile, Chinese despatches declare that the Japanese are planning a big offensive in Central China before the end of July and it is asserted that five Japanese divisions are preparing for a move against the Yangtze port of Ichang, while three divisions intend to strut across Kiangsi Province towards Changsha, the capital of Hunan Province.

It is predicted that altogether more than 400,000 Japanese troops will be engaged.

Chink City Recaptured

LIUHUANG, July 18 (Central)—Chinese troops completely recaptured Chaohow (Chaochow), important city at the northern end of the Chaohow-Swato railway, yesterday.

The Chinese started a fierce counter-attack on the city on Sunday night. Closing in from three directions, they engaged in heavy fighting with some 2,000 Japanese, who offered stubborn resistance behind their strong defences.

The

city

fell

at

5 a.m.

shortly

after

dawn

on

Monday

when

Chinese

troops

fought

their

way

through

the

northern

gate.

Steadily pressing back the enemy, the Chinese broke into the city by the northern gate at 5 a.m. yesterday. Bloody street fighting ensued.

Chinese plain-clothes

guerrillas, who had filtered into the city beforehand, as well as armed Chinese volunteers, assisted.

Huge fire

were

started,

razing

rows

of

houses

to

the

ground.

Unable

to withstand

the

fierce

Chinese

onslaught

the

Japanese

retreated

from

the

south

gate.

Ampow, Lungwu, Linchow, Pow-

Fuyeng, and other points

along the Chaohow-Swato

have

also

been

recovered

by the Chi-

ni